“It’s Geoeconomics, Stupid”

The EU’s Greenland Question in the New World Order

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“It’s the economy, stupid”, the famous catchphrase in the 1992 Clinton presidential campaign, emphasized the importance of economic growth and stability for US voters. The economic argument was also decisive for Donald Trump’s second win in the US election in November 2024. While he promised the return of a US golden age, the US economy has so far been riding on a rollercoaster – and the erratic US tariff policy is only one of the reasons. As world economies remain interconnected – even in a postliberal view – the Greenland crisis puts geoeconomics centre stage, with the United States using economic and coercive instruments to achieve strategic geopolitical goals.

The rise of geoeconomics

Greenland is about the US’s national security, as the Trump administration has repeatedly stated. After the US military action and kidnapping of the Venezuelan president Maduro on January 3, Trump threatened Greenland and the Europeans again to do a deal “the hard way”, if necessary, and implied the US could also take Greenland by force. What connects Greenland with the kidnapping of Maduro in Venezuela? The answer lies in the geoeconomic world order in which we now live. The US is seeking to strengthen and extend its own geostrategic position towards China – and, to a lesser extent, Russia – in a multipolar world order.

For the last 25 years, China has been a master at geoeconomics. Geoeconomics means using economic power and strength to achieve geopolitical and economic goals – the “weaponization of the economy”. Geoeconomics pays greater attention to state power and deploys economic tools in the pursuit of non-economic goals, including foreign policy objectives. The toolbox of global geoeconomics consists of a wide array of instruments from “trade policy, investment policy, economic sanctions, the cybersphere, development aid, monetary policy, and energy and commodity policies.”

The rise of geoeconomics has been extensively analysed by economists and political scientists, but lawyers are still coming to grips with the fallout of the new geoeconomic order. The reason is quite simple: the geoeconomic order is turning away from international law and multilateralism. This shift was demonstrated only a few days ago when the Trump administration announced its intention to retreat from 66 international agreements and organisations.

Before the gradual transition to a multipolar world over the last fifteen years, the USA and the EU profited from a post-Cold War economic and legal order based on internationalisation and legalisation. This came under increasing pressure with the financial crisis in Europe and the US in 2008, and coincides with the rise of China to become the second largest economy in 2016. In addition, China has made clever use of internationalisation – most notably through WTO membership – and used (international) law to advance its strategic aims, which some called a “systematic waging of instrumental lawfare in the maritime, aviation, space, and cyber arenas.” China’s geoeconomic strategy has relied on a broad toolkit. Already in 2013, the Belt and Road Initiative was initiated to finance infrastructure for airports, ports and roads, but also invest worldwide. In recent years, China has become the biggest trading partner and investor in South America. The fallout of these developments has been a shift – also for global actors such as the US and the EU – to a more selective multilateralism, a de-legalisation and a divide into spheres of influence. Examples of these characteristics we see play out in recent develop-

ments. The US turns its back on the WTO legal order, while the EU stresses that it carefully assesses how far it will choose a multilateral road with like-minded countries. Informal instruments are preferred over formal and binding international agreements. And more influential actors choose to extend their spheres of influence through geostrategic and geoeconomic instruments.

Greenland's geoeconomic value lies in its location, commodities and climate. As the largest island of the Western hemisphere, it is situated next to the US's Arctic neighbour Russia. For the US, it occupies an important strategic position for defence. The Northern Sea Route, running along Greenland, is expected to become a significantly shorter shipping route between Europe and Asia as climate change accelerates – benefiting Russian and Chinese trade in particular. According to the US Geological Survey, Greenland is the world's biggest undeveloped deposits of rare earth metals, which are critical for electronics (LED lamps and TV flat screens), renewable energy (batteries, windmills) and defence equipment. An arctic climate could further reduce cooling costs for the huge – and expensive – data storage centres that AI requires. Rare earth minerals are unevenly distributed globally, and Greenland – alongside Canada and Vietnam, is one of the emerging markets. Until now, China controls 60 per cent of the rare earth production and possesses over 85 per cent of the processing capacity.

Yet possessing the resources does not mean they can be extracted. Mining in Greenland is burdened with financial and environmental risks. It will remain a tedious exercise to extract these minerals and can have major environmental repercussions for the region. As such, both the EU and the US have a common interest in strengthening their supply chain resilience and reducing strategic dependencies. However, the EU and Greenland are more closely aligned on safeguarding environmental interests than the current US government.

The EU and the geoeconomic turn

As a legal order based on the rule of law, the EU still struggles to find its place in this new world order. At the same time, the EU and its Member States have enough experience in geoeconomics. Being a military dwarf but an economic giant, it has profited from its unilateral power to regulate global markets (the so-called Brussels effect). Member States' colonial past, their relationship to African, Caribbean and Pacific States and the EU enlargement process since 1994 further demonstrate that the EU is no novice to geoeconomics. Moreover, the EU is an experienced crisis manager which has found in recent years ways and methods to deal with different internal and external crises.

Nevertheless, the EU's geoeconomic turn has been slower and less coherent than that of the US or China, in part due to its constitutional set-up. Based on a liberal and rules-based system, the EU is clearly – and rightly – ambivalent about its own course in a multipolar and postliberal world order. It is struggling with the clashing of detrimental objectives and interests: safeguarding the welfare and prosperity in the EU, achieving the EU's clean transition, responding to the war in Ukraine and the Russian threat to the region.

In recent years, the EU has upgraded its own geoeconomic toolbox in the name of economic security and "Strategic Autonomy" – meaning that the EU should be more assertive about its own economic interests while remaining open to bilateral and multilateral cooperation. Critics argue that this geoeconomic toolbox remains more defensive than offensive. That imbalance reflects the EU's dilemma: it seeks to preserve the old international legal order by adhering to international law while adapting – if necessary – to the new realities.

Short-term reactions

In the short term, the EU's reactions to the Greenland crisis and even an annexation are limited. Leaving action under Article 42 (7) TEU aside, the EU can take sanctions under Article 215 TFEU or stop the negotiated US-EU trade deal. Sanctions require unanimous voting, where certain Member States could block decision-making. By contrast, halting the trade deal would be easier, as it constitutes merely an informal state-

ment and would in any event require further implementation.

The EU also has in its toolbox an Anti-Coercion Instrument, which has not yet been put to use. It addresses "economic coercion by a third country" in the form that a "third country applies or threatens to apply a third-country measure affecting trade or investment in order to prevent or obtain the cessation, modification or adoption of a particular act by the Union or a Member State, thereby interfering in the legitimate sovereign choices of the Union or a Member State." At the end, however, it does not lead to unilateral measures as action has to be in line with international law and only runs first via negotiations with the third state.

Long-term reactions

The EU has to achieve a broader European consensus, not only with the UK but also with other European like-minded countries, to have a common line on how to defend their European interests, which are different from the interests of the major powers, the US, China and Russia. Greenland should be recognised by both Denmark and the EU as a strategic priority and put a focus on securing the island as part of the EU sphere of interest.

Although Greenland has not been an EU Member State since 1985, it remains an autonomous territory within Denmark and has, under Article 204 TFEU, a status of an Overseas Country and Territory (OCT) – a post-colonial association. While this arrangement placed Greenland outside EU law, it has not prevented the structured partnership between the two, including financial assistance and sectoral cooperation (see Alemanno and Neergard in this Spotlight). The current legal relationship between the EU and Greenland is based on Council Decision (EU) 2021/1764 of 5 October 2021. Although not a third country, Greenland does not form part of the single market and must nevertheless comply with the obligations imposed on third countries in respect of trade, particularly rules of origin, health and plant health standards and safeguard measures. Since 2009, Greenland has been self-ruled and can determine through a future referendum whether it wants to become independent from Denmark.

Some tools and actions are already in place. The relationship is guided by the OCT associated status and by the Joint Declaration between the EU, Denmark and Greenland. In 2023, the EU signed a Memorandum of Understanding (MoU) with Greenland on a strategic partnership on sustainable raw materials value chains. However, this Memorandum was reached a few years after the US already signed such a Joint Statement with Greenland in June 2019. These soft law instruments are only a starting point, as it is clear that companies need to invest in mining. Currently, mining only takes place in the USA, Russia and China; in Greenland, two projects – Motzfeldt and Kvanefjeld – are further investigated for future mining. The latter has already become a point of contention when an Australian company (with Chinese shareholders) was denied exploration due to environmental concerns in Greenland, as well as political concerns in Denmark. A more recent initiative worth highlighting is the Clean Trade and Investment Partnerships (CTIPs), "to bolster the EU's competitiveness, diversify supply chains and boost economies. The first of its kind was concluded as a MoU with South Africa in March 2025 and aims to mobilise investment and regulatory cooperation. The EU should expand such cooperation with other like-minded countries. As all of these tools fall outside the EU treaty-making procedure under Article 218 TFEU, they can be quickly adopted by the EU executive but lack scrutiny on the side of the European Parliament.

Depending on how Greenland's existing status evolves, the EU could consider several options: Greenland's accession to the EU, a form of association, or a tailor-made agreement with Greenland comparable to the micro-states Andorra and San Marino. None of these options offers an easy solution. Greenland remains financially heavily dependent on Denmark, while any recalibration of its relationship with the EU would also require disentangling its constitutional ties with Denmark.

Creative emergency solutions

In a long-term and more integral perspective, the EU has to develop an effective economic policy that goes beyond sectoral approaches (industrial policy, economic policy and trade), and that bridges the divide between its external and internal action. The EU has to become more effective as a uniform actor in the EU external relations, despite a patchwork of competences and the Member States' appetite for mixed agreements involving the EU and all 27 Member States. Against the backdrop of the Greenland crisis, the political level of the EU Member States finally agreed on the Mercosur deal. While the agreement might still meet some hurdles, interim EU-only trade agreements allow the EU to demonstrate speed, resolve, and regional commitment.

Achieving a common economic policy will require legal and institutional creativity. The EU has already demonstrated such creativity in different internal and external emergencies, notably with its policy approach of packages and common strategies such as its responses to the war in Ukraine, rule of law conditionality, the EU Global Value Chain Regulation, the RePowerEU Plan or the European Democracy Action Plan. The EU Commission and Council have even suggested a Commissioner for Geoeconomics and an Economic Security Council, demonstrating awareness of these challenges.

Any such measures, however, would undoubtedly have repercussions for the constitutional system of the Union. These would concern, in particular, the institutional balance, the sectoral division of policies based on the principle of attribution of competences and the split along CFSP and non-CFSP-lines. The EU's geoeconomic answers thus function as a stress test for sectoral policies, increasingly requiring combined action across multiple legal bases, with the emergency legal basis under Article 122 TFEU serving often as a potential but disputed fallback (see, for instance, the pending Court case Case C-560/25 raised against the use of Art.122 TFEU in regard to the Security Action for Europe (SAFE) Regulation)

The geoeconomic management will also further strengthen the executive powers of Commission, Council and European Council, posing additional challenges for institutional balance and democratic accountability in relation to the European Parliament and national parliaments. Such de-legalisation is already visible in the number of informal instruments, deals and statements involved to address first policy initiatives and engage in geoeconomic crisis management.

Greenland – leaving aside justified upset and severe concerns – reveals some uncomfortable truths for the European Union and its Member States as they navigate the brave new world of geoeconomics. It also provides them with an opportunity to strengthen their existing toolkit and develop a long-term perspective on crisis management in the geoeconomic age.

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